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FOL REPEAT ROME 16873 SENT ACTION SECSTATE INFO

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LIMITED OFFICIAL USE ROME 16873

E.O. 11652: N/A

TAGS: ETRD, EEC, IT

SUBJECT: FOOTWEAR CONSULTATIONS

REF: STATE 262780

SUMMARY. WOLFF AND ASHCER, ACCOMPANIED BY EMBOFF, CONSULTED WITH SENIOR REPRESENTATIVES FROM INISTRY FOREIGN AFFAIRS, MINISTRY FOREIGN TRADE, AND NATIONAL SHOE MANUFACTURERS ASSOCIATION. END SUMMARY.

1. MIN. RICCIULLI, VICE DIRECTOR GENERAL FOR ECONOMIC AFFAIRS MINISTRY OF FOREIGN AFFAIRS (MFA), GRACIOUSLY STATED HE HAD NO SUBSTANTIVE COMMENTS REGARDING THE PENDING INTERNATIONAL TRADE COMMISSION (ITC) CASE. HE EXPRESSED CONCERN OVER THE LIMITED OFFICIAL USE

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DRIECTION OF US TRADE POLICY AND REFERRED TO ITALY'S HEAVY

DEFICIT IN TRADE WITH THE US. SHOES ACCOUNT FOR 4.2 PERCENT OF ITALY'S TOTAL EXPORTS, HE SAID, AND US IS ITALY'S SECOND BEST CUSTOMER, AFTER GERMANY, TAKING 30 PERCENT OF ITALY'S SHOE EXPORTS. ALTHOUGH IT WAS HIS FIRST REACTION, HE SUGGESTED THAT DISCUSSIONS SHOULD BE ENLARGED TO INCLUDE THE EC. HE APPRECIATED OUR FRANK DISCUSSIONS OF PROBLEMS IN THE US INDUSTRY CONCERNING IMPORT COMPETITION.

2. MEETING OF MINISTRY OF FOREIGN TRADE (FT), WITH DIRECTOR GENERAL FOR COMMERCE ACCORDS TRIOLI AND DIRECTOR GATT-EC AFFAIRS SIMEONE, INCLUDED IN LATTER PART OF DISCUSSION INDUSTRY REPRESENTATIVES BOSSI AND MERCANTANTI. PRESIDENT AND DIRECTOR, RESPECTIVELY, OF NATIONAL SHOE MANUFACTURERS ASSOCIATION (ANCI) REACTION CAN BE SUMMARIZED AS FOLLOWS:

(1) USG SHOULD TAKE NO PROTECTIVE ACTION BUT SHOULD ADJUST INTERNALLY; (2) IF IMPORT RELIEF IS GRANTED, IT SHOULD BE SELECTIVE LEAVING ITALY OUT AS NOT CAUSING ANY PROBLEMS; (3) IF RESTRICTIONS INCLUDE ITALY, THEY SHOULD BE ON INDIVIDUAL COUNTRY BASIS USING A FAIR BASE PERIOD.

3. TRIOLI SUGGESTED THAT US HAD TO SHOW LEADERSHIP IN RESTRICTING PROTECTIONISM. AUSTRALIA AND SWEDEN HAVE ALREADY RESTRICTED FOOTWEAR IMPORTS. IF US ACTS, CANADA WILL FOLLOW. OTHER PRODUCTS WOULD EVENTUALLY BE AFFECTED.

4. ITALIANS FELT THEY HAD ALREADY HELPED US THROUGH IMPOSITION OF VISA SYSTEM AND SHOULD NOT BE ASKED TO RESTRAIN EXPORTS AGAIN. DISCUSSION FOLLOWED OF VISA SYSTEM WHICH APPEARED TO HAVE BEEN MORE AN ADMINISTRATIVE BURDEN THAN AN EFFECTIVE RESTRAINT; VISA SYSTEM DISCONTINUED DURING SPRING 1974 STRIKE OF CHAMBER OF COMMERCE OFFICIALS.

5. MFT OFFICIALS SUGGESTED, IF RESTRAINTS APPLIED BY US, THEY SHOULD BE CONFINED TO ASIAN AND SOUTH AMERICAN SUPPLIERS AS THOSE CAUSING PROBLEMS. SIMEONE PERSONALLY OPPOSED TO VOLUNTARY RESTRAINT AS DEVICE WHICH TENDS TO BECOME PERMANENT.

7. ITALIAN PRODUCTION SHIFT TO GREATER USE OF PLASTICS LIMITED OFFICIAL USE

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THROWN IN DOUBT BY INCREASE IN PETROCHEMICAL COSTS AND CHANGES IN COMPETITIVENESS OF HIDES. RELATIVE SHIFTS OF COSTS OF RAW MATERIALS RELATIVE TO ADVANTAGES OF LEATHER SAID TO CONDITION EXTENT OF SYNTHETIC FOOTWEAR MANUFACTURE.

7. DESCRIPTION OF ITALIAN FOOTWEAR INDUSTRY STRUCTURE AND TRADE TRENDS ALSO OBTAINED. FULL REPORT TO BE MADE UPON RETURN OF CONSULTATION TEAM.

8. ITALIAN OFFICIALS FULLY APPRISED OF PRESIDENTIAL OPTIONS
IN EVENT OF AFFIRMATIVE ITC DETERMINATION, FOR WHICH THEY
EXPRESSED APPRECIATION.

9. WOLFF NOTED THAT, WHILE TEAM HAD NOT YET VISITED BRUSSELS,
EC DELEGATION IN WASHINGTON WAS BEING KEPT CURRENTLY
INFORMED. TRIOLI STATED THAT, WHILE EC COMMISSION SHOULD
OF COURSE BE APPRISED OF ITC USE, AT THIS STAGE BILATERAL
DISCUSSION WITH COUNTRIES INVOLVED WERE OF GREATER
IMPORTANCE.
BEAUDRY

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